98-84359-2

Hyde, Ira B.

The national finances

Washington

1874

98-84359-2
MASTER NEGATIVE #

COLUMBIA UNIVERSITY LIBRARIES
PRESERVATION DIVISION

BIBLIOGRAPHIC MICROFORM TARGET

ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

332.4
Z Hyde, Ira B
v 13 The national finances; speech in the House of representatives, May 19, 1874. Washington, 1874
24 p. 21 cm. [Govt. Printing office]

Vol. of pamphlets.

RESTRICTIONS ON USE: *Reproductions may not be made without permission from Columbia University Libraries.*

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 11:1 IMAGE PLACEMENT: IA (IIA) IB IIB

DATE FILMED: 3/4/98 INITIALS: F.C.

TRACKING # : 31840

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

P42
173

THE NATIONAL FINANCES.

SPEECH

OF

HON. IRA B. HYDE,

OF MISSOURI,

IN THE

HOUSE OF REPRESENTATIVES,

MAY 19, 1874.

WASHINGTON:
GOVERNMENT PRINTING OFFICE.
1874.

SPEECH

HON. IRA B. HYDE.

The House being as in Committee of the Whole on the State of the Union on the President's annual message—

Mr. HYDE said:

Mr. SPEAKER: When I came here in November last to attend the present session of Congress I had no intention of occupying the time of the House with any views of my own upon the financial question.

I had views, satisfactory at least to myself, as to what was demanded of us by the peculiar condition and necessities of the country; but I did not feel that the views I entertained were so essentially different from those of a majority of the House as to require that I should to any extent antagonize my own to theirs. But, more than that, the industries of this great nation were then, as now, stretched and bound upon the iron bed of our Procrustean system of finance, and I felt that the case was too urgent for words, and that the country desired and expected of us immediate action. I considered the matter to be so urgent, that I was unwilling to defer the action of Congress for a single hour by prolonging the discussion. But others thought or at least acted differently, and a financial discussion took place which was interjected between all the pauses of business and continued through the first four months of the session.

Able as that discussion has been, I doubt whether it has changed a single vote or the opinion of any member of this House; and if this is so, I certainly cannot hope that any effort of my own will do so.

Why, then, do I speak? I speak, sir, because the just demands of the people I represent, and whose interests in this respect are identical with those of the whole West and South, have been denied, and their appeals for relief from the effects of a rigid, unyielding system of finance, as well as their claims for justice and equality under that system, have been disregarded. I speak because the events of the past few weeks have demonstrated that the money-rings of Wall street, their aiders and hirelings—the wreckers of finance who plunder the unfortunate tradesman and farmer as the wreckers of the sea plunder the shipwrecked mariner—the Shylocks intent upon cutting their pound of flesh though they spill the life-blood of the nation in taking it, are all united by the instinct of rapacity and the hope of plunder, intent upon maintaining the monopoly which they hold of the currency of the nation; a monopoly by which they are becoming rich and powerful at the expense of the industry and labor of the country.

I speak, sir, for a people who have cheerfully borne their full share of the heavy burden which was necessarily imposed in the act and as

a consequence of maintaining the life and honor of the nation; a people who live by honest industry; who earn their bread as God commanded, "in the sweat of their faces," by hard, unremitting labor; a people who are, and ever will be, ready to bear their share of the necessary public burdens, but who refuse now and henceforth to be plundered to satisfy the rapacity—if indeed it were possible—of those who have obtained a monopoly of the money of the country.

The subject which has been so long discussed in the country and in Congress, and which has now been referred back for our consideration by the veto of the President, involves two questions.

The first is as to a proper, fair, and equal distribution of the banking currency among the different States and sections of the country.

The second is in regard to the wisdom and necessity of providing for an increase in the amount of the circulation commensurate with the growth and development of the nation.

I shall discuss these questions in the order named.

First, as to the distribution of the banking currency among the several States.

The sentiment of fairness and equality is predominant in the American mind; it is the foundation of our political institutions. That sense of justice and equality makes the American hate special privileges and monopoly in any form, whether for the benefit of individuals or sections of the country. And what can be more odious to the people or more destructive to their industry and prosperity than a monopoly of the money or of the power of issuing it?

Money is the very life-blood of industry, and without it there can be no prosperity. Take it away, and the busy hum of industry ceases, the workshop is silent, and the plow rusts in the furrow. Put it under the control of the money-lenders, and it enables them to chain and enslave our industries, to wring from the toiling millions every dollar of their profit.

The privilege of issuing bank-notes should either be free to all upon the same terms so that every State may share equally in its benefits, and the people of every State, through the competition which would thus be created, may reap all its advantages in having money abundant at low rates of interest, or else the privilege of issuing money should be denied to all and the necessary circulation supplied by the Government. I do not propose on this occasion to discuss the relative advantages of these two modes of supplying money, or to attempt to demonstrate which would be cheapest and best for the Government and people. However important that question may be, I know that practically it will be useless to discuss it at this time. But certainly we should have free banking or no banking at all.

I trust no one will misunderstand me. I would not return to the era of shin-plasters. I would not return to the old system of State banks. I would have every dollar of bank circulation secured, as now, by a United States bond deposited in the Treasury of the United States, so that the bank-notes of Missouri would be as good in Maine or California as at home. But I would take away the monopoly of the present system by which the rate of interest is kept up to an exorbitant figure at the expense of the people and to the ruin of their industries, and nearly all the benefits of banking are confined to a few States and money centers to the exclusion and at the expense of all other States and sections.

To show in the plainest manner the gross inequality and monopoly of the present system, and the outrageous injustice which is being done to the South and West, I desire to call attention to a table

which I take from the last annual report of the Comptroller of the Currency, which shows the apportionment according to population and wealth of the authorized banking circulation of $354,000,000, and its actual distribution, together with the amount of the excess or deficiency in each State.

Here is the table:

EASTERN STATES.

States and Territories.	Apportionment on population.	Apportionment on wealth.	Aggregate apportionment.	Outstanding and authorized circulation.	Excess.	Deficiency.
Maine	$2,877,818	$2,053,200	$4,931,018	$3,098,234	.....	.....
N. Hampshire	1,401,138	1,476,800	2,947,938	4,624,525	1,676,587	.....
Vermont	1,515,376	1,389,600	2,897,976	6,932,030	4,034,054	.....
Massachusetts	6,689,889	12,549,300	19,239,189	59,523,671	40,284,482	.....
Rhode Island	997,747	1,752,300	2,750,047	13,385,840	10,635,793	.....
Connecticut	2,467,152	4,566,600	7,033,752	17,994,648	10,960,896	.....
Total	16,011,120	23,788,800	39,799,920	110,489,966	70,690,046	.....

MIDDLE STATES.

New York	$20,118,813	$38,267,400	$58,386,213	$90,976,000	$2,589,787	.....
New Jersey	4,130,382	5,340,100	9,606,482	11,026,800	1,327,408	.....
Pennsylvania	16,167,317	22,425,900	38,593,217	42,055,781	3,462,564	.....
Delaware	573,873	566,400	1,140,273	1,296,615	156,342	.....
Maryland	3,584,651	3,787,800	7,372,451	9,252,847	1,880,396	.....
Total	44,604,036	70,587,600	115,191,636	124,608,139	9,416,503	.....

SOUTHERN AND SOUTHWESTERN STATES.

Dist. Columbia	$604,560	$743,400	$1,347,960	$1,530,091	$182,131	.....
Virginia	5,624,042	2,407,200	8,031,242	3,902,342	.....	$4,128,900
West Virginia	2,029,041	1,115,100	3,144,141	2,360,307	.....	783,834
North Carolina	4,918,022	1,539,900	6,457,922	1,819,300	.....	4,638,622
South Carolina	3,239,045	1,221,300	4,460,345	2,319,500	.....	2,140,845
Georgia	5,435,587	1,575,300	7,010,887	2,365,005	.....	4,645,882
Florida	801,846	265,500	1,127,346	90,000	.....	1,037,346
Alabama	4,576,646	1,185,900	5,762,546	1,541,133	.....	4,221,413
Mississippi	3,890,529	1,253,000	5,020,529	5,870	.....	5,033,659
Louisiana	3,330,863	1,893,900	5,230,763	3,646,870	.....	1,583,893
Texas	2,257,640	838,100	4,095,740	930,960	.....	3,764,780
Arkansas	2,222,936	920,400	3,144,336	192,495	.....	2,951,841
Kentucky	6,064,027	3,557,700	9,621,727	7,637,900	.....	1,983,827
Tennessee	5,777,118	2,938,200	8,715,318	3,341,736	.....	5,373,582
Missouri	7,901,509	7,557,900	15,459,409	6,476,193	.....	8,983,216
Total	60,150,411	29,098,800	89,249,211	38,160,308	182,131	51,271,834

WESTERN STATES.

States and Territories.	Apportionment on population.	Apportionment on wealth.	Aggregate apportionment.	Outstanding and floating circulation.	Excess.	Deficiency.
Ohio	$12,224,726	$13,151,100	$25,385,826	$23,876,350	.....	$1,509,476
Indiana	7,744,871	7,160,400	15,184,271	14,706,415	.....	477,856
Illinois	11,659,230	12,486,200	24,155,430	17,824,900	.....	6,330,521
Michigan	5,455,357	4,250,300	9,665,657	7,485,043	.....	2,180,614
Wisconsin	4,841,403	4,141,800	8,983,203	3,253,316	.....	5,729,887
Iowa	5,481,081	4,230,300	9,711,381	5,674,385	.....	4,036,996
Minnesota	2,018,145	1,345,200	3,363,345	3,220,414	.....	33,231
Kansas	1,672,754	1,115,100	2,787,854	1,825,496	.....	962,358
Nebraska	564,592	407,100	971,692	809,500	.....	162,192
Total	51,622,459	48,586,500	100,208,959	78,785,118	.....	21,423,811

PACIFIC STATES AND TERRITORIES.

Nevada	$195,052	$177,000	$372,052	$11,864	.....	$360,188
Oregon	417,377	300,000	717,377	225,000	.....	492,377
California	2,551,783	3,752,400	6,304,183	.....	.....	6,304,183
Colorado	182,963	123,000	305,963	548,940	$232,102	.....
Utah	308,346	88,500	486,846	419,289	.....	67,057
Idaho	68,852	35,400	104,252	90,000	.....	14,252
Montana	94,540	88,500	183,040	252,000	68,960	.....
Wyoming	41,855	35,400	77,255	72,000	.....	5,255
New Mexico	491,742	194,700	616,442	270,000	.....	346,442
Arizona	44,334	17,700	62,034	.....	.....	62,034
Dakota	65,096	35,400	100,496	45,000	.....	55,496
Washington	109,964	88,500	198,464	.....	.....	198,464
Total	4,611,974	4,938,300	9,550,374	1,924,088	301,062	7,926,648
Grand total	177,000,000	177,000,000	354,000,000	353,968,249	80,589,742	80,621,493

And right here, in strong contrast with that table, I desire to present another taken from the report of the Commissioner of Internal Revenue for the year 1873, which shows the amount of taxes paid by each State to the national Government:

Amount of taxes paid by each State to the National Government.

States and Territories.	Aggregate receipts. Total.	Refunded.	Net total.
Alabama	$152,493 35	$14,358 45	$138,134 90
Arizona	13,562 73	133 00	13,441 73
Arkansas	88,861 02	9,621 80	79,239 22
California	2,367,911 07	29,571 96	2,338,339 11
Colorado	75,749 64	100 83	75,648 81
Connecticut	873,984 99	2,113 24	871,871 75
Dakota	7,595 36	30 83	7,566 53
Delaware	429,392 84	135 91	429,256 93
District of Columbia	133,424 58	2,772 49	130,652 09

Amount of taxes paid by each State to the National Government.

States and Territories.	Aggregate receipts. Total.	Refunded.	Net Total.
Florida	$158,142 21	$180 71	$157,961 50
Georgia	477,959 90	18,784 67	459,175 23
Idaho	19,275 80	.....	19,275 80
Illinois	16,493,169 34	22,960 62	16,470,208 72
Indiana	5,678,052 51	9,083 00	5,668,969 51
Iowa	1,012,967 29	3,025 83	1,009,971 46
Kansas	161,469 76	750 24	160,690 52
Kentucky	5,456,682 47	14,128 13	5,442,500 34
Louisiana	1,330,697 30	16,753 10	1,322,584 20
Maine	214,696 26	1,802 73	212,893 53
Maryland	2,653,891 83	5,098 25	2,648,773 58
Massachusetts	3,761,004 95	91,654 29	3,669,950 66
Michigan	2,305,720 72	1,596 29	2,284,124 43
Minnesota	231,404 94	2,473 48	228,931 46
Mississippi	127,079 31	1,136 04	126,943 27
Missouri	4,250,320 15	10,230 22	4,240,089 87
Montana	24,018 11	.....	24,018 11
Nebraska	242,962 38	.....	242,962 38
Nevada	72,305 32	6,048 21	66,257 11
New Hampshire	325,455 36	1,365 76	324,089 60
New Jersey	2,567,442 37	8,507 30	2,558,735 01
New Mexico	23,257 51	284 26	22,954 25
New York	19,219,504 52	90,256 40	19,129,248 12
North Carolina	1,408,321 72	5,762 76	1,402,558 96
Ohio	14,851,309 45	60,348 69	14,791,060 76
Oregon	73,544 48	2,313 42	71,231 06
Pennsylvania	7,836,275 69	91,417 23	7,734,858 46
Rhode Island	324,552 17	1,850 24	322,701 93
South Carolina	167,213 38	12,633 58	154,580 60
Tennessee	644,840 76	31,995 31	612,845 45
Texas	272,325 17	1,343 96	270,981 81
Utah	46,746 23	.....	46,746 23
Vermont	75,860 10	8,384 51	67,475 59
Virginia	7,343,709 29	11,965 31	7,331,743 98
Washington	15,698 64	119 17	15,579 47
West Virginia	449,041 59	2,456 43	447,005 16
Wisconsin	1,881,820 91	14,664 00	1,867,156 91
Wyoming	10,652 94	.....	10,652 94
Total	106,255,537 51	618,067 77	105,636,869 74

The lesson which a comparison of these two tables teaches is instructive, and I wish it could be read by every honest voter in the United States. I think it would convince them that right and justice in this contest are on the side of those who are contending for a change in our financial policy.

And yet we who have only asked for justice and equality toward the people we represent have been constantly denounced as inflationists and repudiators by certain leading newspapers, the subsidized organs of monopoly, because we are striving to break up these moneyrings and give to the people of the West and South an equal share in the benefits of the national-bank circulation; striving to emancipate the industrial classes everywhere from the extortion which has reduced many to poverty and some to starvation; striving to restore prosperity on the farm and in the workshop.

For one, I care nothing for the slander and mis-representations which a venal press may publish, for I know that the people are not idle

spectators; I know that when they learn the truth, as they certainly will learn it, they will rally to the support of their own cause in such a manner as will give a fitting rebuke to these corrupt rings and their purchased organs.

And now, sir, let us look at the table first referred to and see what it discloses. We see first that the Eastern States, according to the table prepared by the Comptroller of the Currency, are entitled to a bank circulation of $39,799,920, and that they actually have $110,489,966, or $70,690,046 more than their share; that the Middle States have $9,416,503 more than their share, while, on the other hand, the Southern States (and Missouri is in this list) have $51,271,034 *less* than their share; the Western States $21,423,811 *less* than their share, and the Pacific States and the Territories $7,826,648 *less* than their share.

In view of these facts, is it any wonder that money is scarce in the South and West, and that the people complain of high rates of interest? Is it any wonder that those entire sections begin to feel the drain upon their resources caused by the payment of exorbitant interest, which does not remain at home but goes to swell the enormous wealth of the Wall street speculator? And I might add, is it any wonder that the rings which control this vast money monopoly can afford to buy up newspapers to misrepresent the facts and slander the representatives of the people who are trying to break it up?

Again, to go a little further into details, this table shows that the little State of Rhode Island, which has a population according to the census of 1870, of only 217,353, has a national-bank circulation of $13,385,840; while the great State of Missouri, the fifth State in importance in the Union, with a population of 1,721,295, has a national-bank circulation of only $6,476,193.

If $13,385,840 of bank circulation is necessary for the people of Rhode Island, the people of Missouri are entitled to have, if they choose to take it, a sum as much greater as the ratio of the population of Missouri is greater than the population of Rhode Island, which would give Missouri a bank circulation of $105,548,154, or $99,271,943 more money than Missouri now has. Massachusetts, on an apportionment of population and wealth, is entitled to a circulation of $19,239,189, and Missouri on a like apportionment is entitled to $15,459,409. Taking the difference between them, we find that Massachusetts is entitled to $3,779,780 more than Missouri; but Massachusetts actually has $59,523,671, or $53,047,478 more than Missouri. And when we complain of this inequality and demand simple justice toward the people of the South and West, the demand is received with derision, and we are tauntingly told that we are not bankers, have not been educated in Wall street, and are too ignorant to understand the complex subject of finance.

The six New England States, with a national-bank circulation of $110,489,966, or $70,690,046 *more* than they are entitled to under existing laws, blandly inform us that money is plenty and that no more circulation is needed; and New York, with a circulation of $60,976,000 or not far from twice as much as all of the fourteen Southern States put together, joins New England in the assertion that money is plenty, and loads the columns of a venal press with abuse of those who demand justice and equality for the South and West.

I now desire to call attention to some instructive facts which are disclosed by a comparison of these two tables. I desire to show who pay the taxes as compared with those who are favored with an undue share of the bank circulation.

Referring to the second table before given, we find that the six New England States paid the following amounts of internal taxes to the national Government in the year 1873:

Maine	$492,803
New Hampshire	324,080
Vermont	67,475
Massachusetts	3,669,950
Rhode Island	322,701
Connecticut	871,871
Total	5,468,879

By the same table we ascertain that the State of Virginia alone paid $7,331,733, or $1,862,854 *more* than all of the six New England States. Yet the six New England States have a banking circulation of $110,489,966, while the State of Virginia has only $3,302,342; and upon these facts New England says that money is plenty, and that Virginia does not want any more and that her people are inflationists to desire it.

Sir, we have recently heard a great outcry against the sin and folly of "inflation." It is held up to us as the sum of all financial villainies and errors. Whence does this holy outcry proceed? It comes from New England and from Wall street. It comes from States that are themselves inflated with upwards of $80,000,000 *more* than their share of the money.

Is it surprising that we of the West and South are not able to apprehend the danger or to have much confidence in the sincerity or honesty of those who raise the outcry. Is it surprising that when the people of Rhode Island, who have $61.59 of national-bank notes to each inhabitant, and who memorialize Congress against depriving them of a single dollar of it—is it surprising, I say, that when such a people, so situated, raise the cry against "inflation" that the people of Arkansas, who have only forty cents of national-bank notes to each inhabitant, are not able to apprehend that the sin or danger of inflation, if there be any, lies at their doors?

Notwithstanding the old adage that comparisons are odious I propose to make another. By the second table it appears that in the year 1873 Massachusetts paid taxes to the national Government to the amount of $3,669,950, and that the same year Missouri paid $4,249,089, or upward of half a million dollars more than Massachusetts. And yet Massachusetts has $59,523,671 of the circulation, while Missouri has only $6,476,193; and on these facts Massachusetts says that money is plenty; that Missouri does not need any more, would not take it if it was offered to her; and that it would spoil a very nice system of finance to disturb the present arrangement.

Doubtless we of the West are very stupid and ignorant in the opinion of the money-lenders; but surely it is not surprising that we are not able to look at this question from their stand-point or to have a very high opinion of the sincerity or disinterestedness of their motives.

But it has been said that the West is not herself united upon this question. I affirm that all the industrial classes of the West, her farmers, manufacturers, professional men, merchants, miners, and laborers, are almost unanimous.

But of course those individuals who have secured what little bank circulation the West has been able to obtain are some of them, like their Wall street prototypes, anxious to maintain the monopoly which they now enjoy, anxious to avoid that competition which free banking would establish and by which the rate of interest would be greatly reduced.

I now propose to examine some of the so-called reasoning by which gentlemen who are benefited by this monopoly of money seek to justify it. They tell us, first, that money will flow where it is most needed, and that therefore the place of the fountain, the locality of the bank, is a matter of no importance. Unfortunately, sir, we know from painful experience that it does not flow where it is most needed, but often quite the reverse.

But the argument is not true in any point of view in which it may be regarded. Banks loan to their immediate customers, and the greater part of their money circulates in the vicinity of the bank. They all loan upon short time of thirty, sixty, or ninety days, so that their money is being constantly returned, and the greater part of it cannot circulate at any great distance from the fountain-head. The fact that bank-bills are often found at a great distance from the institution by which they are issued proves nothing against this theory, because their place is supplied by the bills of other banks or by legal-tenders.

Again, we are told that we of the West and South have not the capital and could not organize banks for circulation if we had the chance. If we could not it would certainly do no harm to give us an opportunity. But it is worthy of notice that the persons who made this assertion were the ones who made the greatest outcry against the bill which permitted it. It is by no means true that we have not the capital. The assessed value of the wealth of Missouri, according to the census of 1870 was $556,129,269, while that of Vermont was only $102,548,528, the wealth of Missouri being more than five times greater than that of Vermont; yet Vermont has more national-bank circulation than Missouri. The State of Connecticut with only $429,433,237 of wealth has nearly three times more bank circulation than Missouri.

Sir, we have frequently been told by those who assert that the South and West do not need more national-bank circulation, that those sections have failed to take up the amount to which they are entitled under existing laws, and that currency for new banks for the South and West can be obtained by applying to the Comptroller of the Currency. This statement has probably deceived no Representative from those sections, because most if not all of them know from actual trial that it is false. But I am sorry to say that it has deceived the President of the United States, and that he has given it currency and the sanction of his authority. In his message of April 22, 1874, vetoing the Senate currency bill, in the last paragraph, he says:

> It is claimed by the advocates of the measure herewith returned that there is an unequal distribution of the banking capital of the country. I was disposed to give great weight to this view of the question at first, but on reflection it will be remembered that there still remain $4,000,000 of authorized bank-note circulation assigned to States having less than their quota not yet taken.
>
> In addition to this the States having less than their quota of bank circulation have the option of twenty-five millions more, to be taken from those States having more than their proportion.

Now, sir, although I knew from actual previous inquiry and investigation that the President was entirely mistaken, yet as his statement was well calculated to mislead the country upon this matter, I deemed it advisable to obtain a written statement from the Comptroller of the Currency of the facts, and with that view I immediately addressed to him written inquiries upon the subject.

The following is the correspondence in full between myself and the Comptroller. It shows conclusively how utterly baseless is the assertion that there is any currency available for the establishment of new banks in Missouri or in any other State:

HOUSE OF REPRESENTATIVES,
Washington, D. C., April 22, 1874.

DEAR SIR: The President in his veto message to-day states that there is still $4,000,000 of national-bank currency remaining in the Treasury subject to the demand of sections desiring it that have secured less than their quota.

I do not pretend to give his exact language, not having seen the message, but I think the above is the substance.

Missouri has received far less than her quota of such currency. Why is she not entitled to a part of this $4,000,000? There is a demand for it from the section I represent, but no effort was made because it was understood that none could be had.

Will you please inform me at your earliest convenience whether any part of this currency can be had to establish national banks in Missouri, and oblige your obedient servant,

IRA B. HYDE.

Hon. JOHN JAY KNOX,
Comptroller of the Currency.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, April 24, 1874.

SIR: I have received your letter of the 22d instant.

The $4,000,000 of circulation referred to in the President's message was long since assigned to applicants in the States which were deficient, in accordance with the act of July 12, 1870, and all applications from Missouri with proper indorsements have been granted whenever there was any circulation at his disposal.

During the month of March letters were addressed to all applicants, requiring that the necessary amount of bonds to secure circulation should be deposited within thirty days or circulation would be distributed to other applicants, and, as far as practicable, such currency has been redistributed to the States to which it was originally allotted. Four small banks in your State have been recently authorized, circulation to be supplied from circulation previously assigned to parties who had failed to perfect their organizations, and no applications with the proper indorsements are now on file in this office from your State.

Very respectfully,

JOHN JAY KNOX,
Comptroller.

Hon. IRA B. HYDE,
House of Representatives, Washington, D. C.

HOUSE OF REPRESENTATIVES,
Washington, D. C., April 25, 1874.

DEAR SIR: I have the honor to acknowledge the receipt of your letter of the 24th instant in reply to mine of the 22d.

I am not quite sure that I understand your answer to the *main point* of my inquiry, which is this, *have you now at your disposal* any national-bank circulation which you could grant for a new bank in the State of Missouri, provided the application, properly indorsed, was to be *immediately made?*

Very respectfully, yours,

IRA B. HYDE.

Hon. JOHN JAY KNOX,
Comptroller of the Currency.

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
Washington, April 27, 1874.

SIR: I have received your letter of the 25th instant.

There is no currency at this date at my disposal for the organization of additional national banks. I write to-day to a national bank in the city of Saint Louis who are entitled to $100,000 of additional circulation. If they are not prepared to deposit the necessary amount of bonds, I can then organize the national bank proposed by you.

Very respectfully,

JOHN JAY KNOX,
Comptroller.

Hon. IRA B. HYDE,
House of Representatives, Washington, D. C.

Again, to show in the most striking manner the inequality of the national bank circulation according to population, I submit the following facts and figures: The bank-note circulation of Rhode Island to each inhabitant is $61.59; that of Arkansas is forty cents. Massachusetts has $40.84 to each inhabitant, while Missouri has only $3.76. Connecticut has $33.48 *per capita*, and Iowa has $1.75.

Comparing the present national-bank circulation with the circulation of the State banks in 1862, we find that the bank-note circulation of Massachusetts has increased $17.32, to each inhabitant since 1862, while that of Missouri has increased only thirty-four cents in the same period.

These comparisons might be extended almost indefinitely, but it would only be piling Pelion upon Ossa.

Certainly, the facts already adduced make the monopoly and inequality of the present system sufficiently manifest, and call loudly for a change in favor of the industrial classes of the West and South.

Now, Mr. Speaker, what remedy do the gentlemen who represent this monopoly propose?

Do they propose to give the West and South a proportion of currency equal to that of New England and New York? No; they are determined that not an additional dollar of circulation shall be authorized.

Do they propose to give up their enormous excess of the present currency in favor of the States which are difficient?

By no means.

Rhode Island, with a circulation of $61.59 *per capita*, says through her governor and Senators, and by memorials presented in this House by her entire delegation, that she has none to spare, and that it would greatly embarrass her industries to deprive her of any part of the currency which she now has, and yet according to population she has fifteen times more than Missouri; but, nevertheless, one of her Senators and all of her Representatives voted against a bill which would have deprived them of no part of the currency which they hold, and would have supplied to Missouri and other States only a small part of their deficiency.

Both New York and Boston have a large excess, and both sent delegations of capitalists to the White House to urge the President to veto a bill which granted to the West and South only a small part of the currency to which they are entitled; yet from New York and Boston there comes no offer to surrender any part of the enormous excess of circulation which they hold. I warn these gentlemen that they cannot afford to go before the country upon such an issue. Surely they underrate the intelligence of the people if they suppose that any amount of newspaper misrepresentation can prevent them from seeing and comprehending the real issue.

Sir, I have noticed with regret that New York and New England, so far as they voted, (General BUTLER only excepted,) were solid against the currency bill. It is true that the distinguished gentleman from Massachusetts [Mr. DAWES] proposes that the States having an excess of the currency give up twenty-five millions of that excess in favor of States having the greatest deficiency. This is already the law, but it has never been complied with and perhaps never will be.

But why not give up the whole excess of over eighty millions? The principle of the expedient proposed by the gentleman from Massachusetts, though applied in a different way, has been found effective under certain circumstances, but I hardly think it will meet the present case. An infuriated whale might be induced to exhaust his

strength in lashing a tub while the ship sailed majestically out of the way; but an intelligent people are not generally presumed to be as easily deceived. The States having a deficiency are clearly entitled to their entire quota of the currency if they can use it; and for one I will never consent to anything short of absolute justice and equality toward the people I represent.

Far be it from me to excite or keep alive sectional strife or prejudice, and if it is to arise out of the discussion of this question the responsibility shall not be mine. It must rest upon the shoulders of those who are bent upon maintaining a most burdensome and intolerable monopoly.

Second. The other branch of the question which I propose to consider is in regard to the wisdom or necessity of providing for an increase of the amount of currency in circulation.

The finances of this country are now in a most unusual, if not absolutely unprecedented condition. The iron grasp of contraction during a series of years has compressed the authorized circulation to a fixed amount which no advancement in wealth and population and no necessities of business are allowed to increase to the amount of a single dollar.

At what other period in the history of the world has the industry, enterprise, and development of a great people been so fettered, bound, and confined by laws which absolutely prohibit any increase of the means of development?

I say prohibit any increase of the means of development, for you cannot find a beggar upon your streets so ignorant as not to know that money is a necessary means for material progress and development. It is money which builds our railroads and canals, our ships and locomotives; money which develops our farms, mines, and manufactures. Without it individual as well as corporate enterprise would cease, and a nation become like the savages upon our western borders.

This nation is now in a condition as unparalleled as it is unnatural. Never until the year succeeding the late war was the iron, unyielding, unbending rule of contraction applied to our finances.

Prior to 1860 gold and silver were in circulation, and the amount was constantly increasing or decreasing according to the varying necessities, wants, or vicissitudes of business. Prior, also, to 1863 the bank-note circulation was unrestricted and was permitted to adjust itself to the increasing development of the country. And from 1863 to 1865 the Government supplied a circulating medium in amounts constantly increasing. That, notwithstanding the enormous taxation required to carry on the war, was the period of our greatest prosperity. The statistics abundantly prove it.

But if further proof is needed, I appeal to the farmer, the merchant, the professional man, the mechanic, and the laborer, to every man, in short, who earns his bread by labor either mental or manual, to say if in 1865 his circumstances were not in every respect better than they are to-day; and I appeal to them further to say if they have not been on the downward road ever since 1866, when the contraction of the currency commenced.

What, sir, has been the effect of contraction upon the western farmer? His land has greatly diminished in value and in many parts of the West cannot be sold at all; the profits upon the products of his farm have been constantly diminishing, while the interest upon money has as constantly increased. This contraction of the currency has not only depreciated the value of all tangible property, real

and personal, but has at last most seriously checked all material development, stopped our manufactures, deprived hundreds of thousands of our people of employment, and arrested on every side the progress of the nation.

With the currency rigidly fixed at an amount which cannot be increased, the development of new industries and the increase of population, which are ordinarily the greatest blessings, are almost turned to curses by creating new demands for money which cannot be supplied, and thus contributing to greater stringency and increasing the rate of interest.

If this policy is long continued, the rate of interest, which now averages three times higher than the average profits of any legitimate industry, must continue to increase until the money-lenders own the entire country.

When I consider the amount of contraction which has taken place since 1865 I am not surprised at the present deplorable condition of our industries. The only wonder is that they were not sooner destroyed.

The following tables show the amount of money in circulation in the years 1865 and 1873:

1865.

Legal-tenders and currency	$700,334,421
National-bank notes	266,636,098
Total non-interest bearing	945,970,519
Add seven-thirty notes of 1864 and 1865	830,000,000
Total	1,775,970,519

1873.

Legal-tenders and currency	$427,607,706
3 per cent. certificates	5,000
National-bank notes	348,516,478
Total	776,129,184

RECAPITULATION.

Amount of note circulation in 1865	$945,970,519
Amount of note circulation in 1873	776,129,184
Difference	169,841,335
Add the seven-thirties	830,000,000
Total contraction	999,841,335

I estimate the seven-thirties as a part of the contraction because they were generally used to supply the place of money. When it is remembered that before the close of the war in 1865 this vast amount of money was circulating only in the Northern States, and that since then it has not only had to do service for the whole country but for a greatly increased population, we can better appreciate the effect and force of the enormous contraction which has taken place. By many it is supposed that contraction has been the sole agency by which greenbacks have been appreciated and the price of gold decreased. There never was a greater error, as the statistics abundantly prove. The greater part of the contraction took place between May, 1865, and May, 1869, and yet the price of gold actually increased during that period. In May, 1865, gold stood at 128¼, and in May, 1869, at 144¾. In 1869 Congress stopped the policy of contraction as inaugurated by Secretary McCulloch, and yet gold has steadily declined. The effect of contraction upon the business of the country has been slower but no less certain. The question whether we have enough

money in circulation may be fairly tested by a comparison with the circulation of other countries.

The following table from the Bureau of Statistics shows the amount of money on a gold basis in circulation in the countries named, deducting the bank reserves in each case, together with the population and the amount of circulation to each inhabitant:

Countries.	Circulation.	Population.	Per capita.
Great Britain	$683,000,000	32,000,000	$21 34
France	1,509,000,000	36,000,000	41 91
United States	587,700,000	41,000,000	14 33

Now, sir, the facts disclosed by an examination of this table are, to say the least, suggestive. Although the United States has as yet but few of the paupers and poor, destitute laborers who are found by the million in the other countries named, and although our population are scattered over a vast extent of territory and are engaged in building up and improving a new country, a work which requires tenfold more capital than is required in a country where these improvements have already been made, yet we see that the United States has much less money to each inhabitant than either of the countries referred to, and but little over one-third the amount in France. And when we consider the unequal distribution of this currency in the United States, is it any wonder that money is scarce in the West and that western industries are suffering? The effects of a contraction of the currency are too well known and have been too severely felt by the debtor and industrial classes of other countries as well as our own to require any illustration.

If we had been disposed to avail ourselves of the light of experience and to take warning from the misfortunes of other nations in like circumstances, we might have avoided the evils from which we now suffer.

The following extract from Alison's History of Europe, cited on a former occasion by the distinguished gentleman from Pennsylvania, [Mr. KELLEY,] shows that this ruinous policy of contraction has obtained in other countries besides our own, and that the effect was then as now to fill the coffers of the rich money-lenders at the expense of all other classes:

> The evils complained of arose from the unavoidable result of a stationary currency, coexisting with a rapid increase in the numbers and transactions of mankind, and these were only aggravated by every addition made to the energies and productive powers of society. * * * But if an increase in the numbers and industry of men coexists with a diminution in the circulating medium by which their transactions are carried on, the most serious evils await society, and the whole relations of its different classes to each other will be speedily changed; and it is in that state of things that the saying proves true, that "the rich are every day growing richer and the poor poorer."

It is truly said that "history repeats itself," and if the policy of the American contractionists prevail we shall soon be launched into the universal ruin which prostrated England in 1823, when her political economists, theorists, and fools were trying, as our so-called statesmen now are, to reach specie payments by contraction of the paper circulation.

It will be remembered that England had suspended specie payments during the war with Napoleon, as every nation must in an

emergency. And immediately after the close of the war in 1-15 the work of contraction commenced, and by act of Parliament the 1st day of May, 1-23, was the day fixed for the resumption of specie payments.

The following short extract from Doubleday's Financial History of England will give an idea of some of the consequences of that act of folly:

As the memorable 1st of May, 1-23, drew near, the country bankers, as well as the Bank of England, naturally prepared themselves, by a gradual narrowing of their circulation, for the dreaded hour of gold and silver payments "on demand," and the withdrawal of the small notes. We have already seen the fall in prices produced by this universal narrowing of the paper circulation. The effects of the distress produced all over the country, the consequence of this fall, we have yet to see.

The distress, ruin, and bankruptcy which now took place were universal, affecting both the great interests of land and trade; but among the landlords whose estates were burdened by mortgages, jointures, settlements, legacies, &c., the effects were most marked and out of the ordinary course. In hundreds of cases, from the tremendous reduction in the price of land which now took place, the estates barely sold for as much as would pay off the mortgages; and hence the owners were stripped of all and made beggars. I was myself personally acquainted with one of the victims of this terrible measure. He was a school-fellow, and inherited a good fortune, made principally in the West Indies. On coming of age and settling with his guardians, he found himself possessed of fully £40,000; and with this he resolved to purchase an estate, to marry, and settle for life. He was a young man addicted to no vice, of a fair understanding and most excellent heart, and was connected with friends high in rank and likely to afford him every proper assistance and advice. The estate was purchased, I believe, about the year 1-22 or 1-23, for £80,000, one moiety of the purchase-money being borrowed on mortgage of the land bought. In 1-22-23 he was compelled to part with the estate in order to pay off his mortgage and some arrears of interest; and when this was done he was left without a shilling, the estate bringing only half of its cost in 1-24! Thus, without imprudence or fault of any kind, was this amiable man, together with his family, plunged in irretrievable and inevitable ruin, by the act of a Legislature which ought to have protected both, and which was fully warned of the consequences of what it was about to do; but which, in requital, chose to laugh those who warned to utter scorn. My readers must not suppose that this was either an exaggerated or uncommon case. On the contrary, the country teemed with similar examples, and on the commencement of the session of 1-24 the tables of both Houses were loaded with petitions, detailing scenes of hardship and destitution appalling in the extreme.

This is the policy and these are the results which the money-lenders of Wall street are trying to precipitate upon this country. Contraction has ever been the rich money-hoarders' policy to legalize their wholesale robbery of all the industrial classes. It is a general confiscation of the property of all of the toiling millions to add to the overflowing treasuries of the rich; it is indeed the policy which "makes the rich richer and the poor poorer."

We have had a taste of contraction, and we are now asked to complete our imitation of the folly and crime of England by fixing a day when we will resume specie payments.

Sir, there are two roads to resumption of specie payments.

One is by the capitalist's road of contraction which would reduce our paper circulation down to nearly $140,000,000, (for that is all the specie there is in the United States;) depreciate our property to absolutely nothing; prostrate every kind of industry; deprive millions of our people of the means of living, and end in enabling the capitalists to own all the valuable property in the country.

The other road to resumption is by giving the people the means with which to improve their farms, build up our manufactories, and develop our mines, and with the surplus products of our industries pay off a portion of the national debt, and create a balance of trade in our favor so that money will flow into and not out of the country.

The former is the road which leads through stagnation of business

and wide-spread bankruptcy and ruin; the latter is the road, no less certain, of attaining specie payments, which leads to it through remunerative industry and universal prosperity. The former is the capitalists' policy; the later is the people's policy. "Choose ye this day whom ye will serve."

How are we to accumulate specie with which to resume so long as we are buying more than we sell, and are besides sending $72,000,000 in gold and silver annually out of the country to pay the interest on the national debt and railroad bonds held abroad?

Some say by increased taxation. "Taxation and contraction!" A fine policy indeed! Loading a mill-wheel with weights and attempting to run it without water.

The impossibility of reaching a specie basis except by such national prosperity as will put the balance of trade largely in our favor is clearly stated by President Grant in his last annual message, in which he says:

A specie basis cannot be reached and maintained until our exports, exclusive of gold, pay for our imports, interest due abroad, and other specie obligations, or so nearly so as to leave an appreciable accumulation of the precious metals in the country from the products of our mines.

Let us now look a little further to the effects which contraction has already produced upon the western farmer.

Contraction, by making money scarce necessarily made it dear, just as a scarcity of wheat or corn will enhance the price. It therefore increased the rate of interest. Of course, the scarcer and dearer money became, the more land, cattle, and grain it bought. In other words, all kinds of tangible property depreciated in value; but the debt did not depreciate and the rate of interest increased. The farm worth $4,000 depreciated to $2,000, or $1,500, and could not be sold even for that; but the debt of $2,000 hanging over it did not diminish, but really increased 50 per cent. compared with other property, while the creditor, as soon as it was due, put up the rate of interest until it reached 15, 20, and even 30 per cent.

No wonder the New York and Boston capitalists, who hold mortgages upon western farms to the amount of $300,000,000, unite in praying for the veto of the currency bill and for more contraction. Contraction will increase the relative value as well as the demand for their money and raise the rate of interest. Contraction will depreciate the property of their debtors, and enable them to buy it in at a nominal sum. Contraction, if continuously persisted in, will confiscate and throw into the hands of a few thousand capitalists a very great part of the most valuable property of this country.

Sir, this is no idle or extravagant statement. History as well as reason supports it; for the same result has been too often attained in other countries.

Almost the entire landed estate of England is owned by one hundred families. The greater part of her wealth is in the hands of a few thousand persons.

From the quotations already made we have seen how a part of these results was accomplished.

And these are the precedents which the advocates of contraction point out to us as examples which should be followed in America. We are told that any expansion or increase of the amount of money, however moderate, to keep pace in part with the growth and development of the country, is a departure from the true principles of finance. Those true principles of finance, I suppose, have been elucidated by the examples referred to, and by which the wealth has all been cen-

tered in a few; principles of finance which have enabled the few to live in magnificence and to amass almost countless wealth without even performing a day's labor, while the millions toil and die in poverty and rags.

If we are to imitate the financial policy of those countries which have aggrandized wealth at the expense of industry we shall reach the same results which they have; and that is exactly what our great capitalists desire, and they will surely obtain it unless the people of this country think for themselves, discard the teachings of subsidized organs, and stand firmly and intelligently for their rights and interests.

Financial legislation the world over has always been for the capitalists—almost never for the poor and industrial classes. I fear that our officials and legislators are falling into the same error.

When our Secretary of the Treasury desires any information in regard to the wisdom of certain financial measures, with whom does he advise? Wall street capitalists. When a legislative committee contemplates any financial legislation, with whom do they counsel, and who suggests the policy which should be adopted? Wall street capitalists. When the President is considering whether he will approve a financial bill which has passed both branches of Congress, who send committees to counsel him? Wall street capitalists. In short, sir, from first to last, throughout every stage of our financial legislation, capitalists are chiefly consulted, and, as a natural consequence, the interests of all other classes are sacrificed that the wealth of the capitalists may be increased.

In my judgment, sir, the capitalists are the very last persons who should be consulted upon financial measures. When shall we learn that our legislation should be shaped to encourage and foster industry and not to aggrandize capital? But to do this we must break away from those precedents of the Old World which our so-called political economists would have us blindly follow.

That profound thinker, John C. Calhoun, stated his opinion of those precedents, as follows:

> The subtle and artful contrivances of modern times have been substituted for the brute force and gross superstition of ancient as a means of allotting so small a share of the wealth of civilized communities to those by whose labor it was produced, and so large a share to the non-producing class.

Sir, I thank God that there is a hope that the true policy of humanity and justice, the policy of the people, the policy of equality, the policy which elevates and rewards industry, is yet to be worked out in this country. It has never had a chance in the Old World, because it was opposed to the interests of kings and aristocracies of rank and wealth. But this is a "Government of the people, by the people, and for the people," and here, if anywhere on the face of the globe, the cause of equality and humanity must be vindicated.

The people of the West, who now desire a moderate increase in the amount of the circulating medium to meet the demands of their rapidly increasing population and industries, are denounced by the organs of the capitalists as inflationists and repudiators.

But, sir, when only a few months ago the capitalists of Wall street were in such a condition as to require more money, they did not fail to advocate an increase, and they found plenty of newspapers to advocate it for them. Never was the selfishness, the insincerity, and the meanness of human nature in its worst forms more conspicuously exhibited than in the conduct of these "money-changers" and their organs. In September, 1873, these same men who now so bitterly denounce any increase of currency were howling for more money as loudly as they are now howling against it. So great was their anxiety and haste to have more of what they now call "irredeemable paper" issued, that even the Sabbath day was not respected; and on Sunday, September 21, 1873, the leading capitalists of New York City thronged the rooms of President Grant and Secretary Richardson at the Fifth Avenue Hotel, demanding that without authority of law they should issue or loan to the banks the $44,000,000 of greenback reserve. And on Monday, September 22, 1873, the New York Herald, in a leading editorial, used the following language:

> There was a persistent effort made yesterday by bankers and capitalists to induce the President to throw into the market some $30,000,000 of the $44,000,000 of greenbacks; but from the restrictions of the law the President and Secretary held to it that they had no alternative, but the rejection of the proposition. We are informed, however, that if after a day or two there shall be no improvement in the situation, the President in deference to the public necessity will assume the responsibility of drawing upon his reserve of greenbacks for the general relief, trusting to an approval of his course by Congress. * * * *From all sides, however, we hear the complaint that the paper circulation of the country is not equal to the business wants of the country.*
>
> In any event, if an additional issue of twenty, thirty, or fifty millions will relieve *our banks and merchants* from the embarrassment which otherwise threatens them, the President will be indorsed by Congress and the country in this timely measure of relief.

It is a part of the history of this matter that they obtained the relief which they sought and that $26,000,000 of the greenback reserve were issued. Now, in the name of fairness and sincerity, contrast the foregoing with the utterance of this same New York Herald on April 13, 1874, from a leading editorial:

> At the beginning of this inflation monstrosity we denounced it as leading inevitably toward ruin, repudiation, and dishonor.

The intimation contained in the above is true in one particular, namely, that almost every issue of that paper for the last three months has been overflowing with abuse of western men who ask for a moderate increase of money to relieve the legitimate industry of the country which has been prostrated by contraction. But the capitalists having obtained the necessary relief for themselves, now demand that the screws of contraction shall be put with increased force upon our struggling industries.

I quote the foregoing extracts from the Herald only as samples. If space permitted I might make a hundred of similar import from the organs of the capitalists.

It all amounts to this, that inflation was all right and just the thing to be done when "*our banks and merchants*" wanted relief from the effects of their reckless speculation; but that the slightest increase is a crime when it is for the relief of the industrial interests of the country—the farmers, the manufacturers, the merchants, and honorable business men of all classes. In order that industry may prosper the earnings of capital invested in productive industry should be at least equal to the interest upon money. Is such the case? Far from it.

It is estimated that the average profit upon capital invested in industry is only about 3 per cent., while the average net increase of money loaned or employed in banking in many of the Western States is over 18 per cent.; to which add salaries, rents, and other expenses of banking, and the increase will be over 20 per cent.

Could anything more plainly show that money is too dear; in other words, that it is too scarce?

But lest some may cavil and say that I have estimated the interest upon money too high, I will reduce it one-half. We will have then

10 per cent. as the average interest on money, and 3 per cent. as the average profit upon capital invested in industry. With 3 per cent. earnings and 10 per cent. cost, it is evident that some one sinks 7 per cent. annually. The gain all goes into the pockets of the money-lenders, while the loss is borne by the farmers, manufacturers, merchants, and all other industrial classes.

In view of these facts is it any wonder that the money-lenders of New York and Boston are growing rich very fast and that they are struggling to keep up this nice arrangement? What the capitalists gain the industrial classes lose, if my theory is correct, and that it is correct is proved by the rapidly increasing list of failures.

Here is a list of the number of failures in the United States for the years named, with the amount of their liabilities:

Year.	No. of failures.	Aggregate liabilities.
1871	2,917	$85,252,000
1872	5,069	121,056,000

It is fair to presume that the list for 1873, which I am not now able to give, will be at least twice as large as that for the preceding year.

The number of failures in the Northern States, according to Hunt's Magazine and Year Book, from 1865 to 1867 were as follows:

Year.	No. of failures.	Aggregate liabilities.
1865	530	$17,625,000
1866	632	47,333,000
1867	2,386	80,248,000

It will be seen that the number is rapidly increasing. The years 1866 and 1867 being the years of greatest contraction, plainly exhibit the necessary effects of that measure.

But this list only comprises the failures in the cities. No report is made of the thousands of smaller failures throughout the country, and none of the tens of thousands of farmers who see their debts yearly increasing with no prospect of paying them.

How can the farmer with an average profit of not more than 3 per cent. upon the capital invested in his farm and stock, afford to pay from 10 to 20 per cent. interest upon his debts? It is evident that he who does it labors not so much for himself and family as for the capitalist.

And this is not all nor is it one-half of the picture. The shippers or middle-men who handle the stock or grain all the way from the farm to the market in New York or Europe, as the case may be, must pay the same exorbitant rates for the use of money, all of which, together with their risk and labor, must come out of the profits, or the difference between the price on the farm and in the market. The manufacturer and the merchant pay the same exorbitant interest, and must add it to the price of their goods.

There ought to be no conflict of interest between the manufacturer, the merchant, and the farmer. They are all equally bled by the capitalist, and can never enjoy their rightful share of prosperity until they understand their interests, and by their united action secure the

adoption of a policy which will make the use of money as cheap as the profits of industry.

The railroads are justly blamed for their high rates of freight; but still it is well to remember that they could reduce their freight charges one-half and yet make more money, if the capital with which they build their roads could be obtained at reasonable rates of interest.

Why cannot the American compete with the English manufacturer? Because the latter borrows his capital at 3 per cent. while the former pays from 10 to 20. And how can the American farmers who pay from 10 to 20 per cent. for the capital invested in farming compete in the markets of the world with the farmers of Europe and British India, who pay only 3 or 4 per cent.

Our ship-building was once the pride of the nation; the snowy sails of our commerce whitened every sea, and our flag was seen in every port of the world. But monopoly, not in foreign lands but in our own, is now helping to drive our flag from the ocean. How can the American ship-builder borrow money at 10 per cent. to build ships and compete in the carrying trade with the Englishman who pays only 3?

It has long been a matter of wonder to American farmers that, possessing as they do the finest and cheapest agricultural lands on the globe, they are unable to compete at a profit in the markets of the world with other less favored countries.

And it has been a matter of equal wonder to the American manufacturers that, with cheap timber and with coal and iron at their very doors, and with natural advantages in other respects unequaled in any other part of the world, they are often unable to compete, even in our own markets, with the English manufacturers who are three thousand miles away. We have always been told that the cheap labor of Europe made all the difference. Although I freely admit that there is some truth in that argument, I do not regard it as the sole or the real cause, for the difference is not enough in many cases to overcome the natural advantages possessed by the American farmer and manufacturer; and many of our American farmers, who with their sons do their own work and make no profit at all, certainly work as cheaply as any one in Europe.

The true cause of our inability to compete with Europe in these respects is found in the fact that the European farmer and manufacturer operate upon capital borrowed at 3 per cent. interest, while the American farmer and manufacturer must pay from 10 to 20; the difference between the rates of interest there and here is itself ample profit for the former.

The evils of contraction which now so greatly oppress the industries of this country are certain to continue and to increase so long as the volume of the currency remains fixed and unchangeable.

There is also another evil attendant upon a fixed volume of currency which should not be lost sight of. I refer to the scarcity arising from the great demand for money in the fall and winter, when such vast sums are required to pay taxes and move crops. This demand precipitated the panic of 1873, and has caused great stringency in the money market every fall since contraction began. At the very time when the tax-collector in most of the Western States is gathering and locking up in county and State treasuries a great part of the money in circulation among the people, this demand for money with which to buy and move the products of western farms is greatest, and results in great scarcity of money and exorbitant rates of interest. Thus the people sow and reap, but the capitalists in reality gather in the harvest in the shape of enormous interest;

and this is the system which the capitalists of Wall street are so anxious to perpetuate.

It only requires a little combination among capitalists at the money centers in shutting up or withholding money to precipitate a panic, depreciate the value of produce as well as stocks, when they can buy up both at low rates, thus releasing the money and then sell again on a rising market. This is no idle speculation. It is too well known that one of the most damaging and exciting panics ever known in New York was caused by locking up ten millions of money.

The only remedy for this evil and abuse is to give elasticity to our currency by free banking or interchangeable bonds, so that the volume of the currency can be increased or decreased according to the demands of business, and the people can get money when they need it without paying exorbitant rates of interest.

The selfishness and rapacity of Wall street make it necessary that the industries of the country should be independent of it. The most bitter opposition to the currency bill arose from the fact that it withdrew a considerable part of the bank reserves from New York. It gave contraction to those who had been clamoring for it, and Wall street capitalists soon showed that they wanted contraction applied to the West but not to New York.

It has been frequently and falsely asserted that the Government is pledged against any increase of the paper circulation. The pledge referred to, if pledge it can be called, applies only to the legal-tenders, and has no application to the national-bank notes, which are not legal-tenders. And I think it quite evident that an increase of the national-bank circulation could not depreciate the legal-tenders so long as the volume of the latter remained unchanged, nor could it postpone the day of specie resumption.

The late currency bill did not in any manner violate this pledge. It fixed the legal-tenders at $400,000,000, the exact amount at which they have been fixed by all previous laws upon the subject.

As is well known, the Secretary of the Treasury has heretofore claimed the right of retiring the legal-tenders down to $356,000,000, or increasing them to $400,000,000 at his pleasure. A power which many have doubted, and many more have believed, should not depend upon the will and caprice of one man.

The currency bill therefore took away the power of the Secretary to retire legal-tenders, but did not provide for the issue of a single dollar beyond the amount authorized by previous laws. But it gave to the West and South $46,000,000 of additional bank circulation, a little over one-half the additional amount to which these sections are entitled under the existing apportionments, but which they cannot get because it has been taken and is held by other States—States that have placed themselves in the attitude of holding $80,000,000 more than their share of the circulation, and of denying to the West and South the privilege of taking only a small part of the share to which they are entitled.

Great efforts are now being made in certain quarters not only to criticise and denounce the action of the majority of Congress upon this question, but also to have it believed that our action has been contrary to both the general sentiment of the country and the recommendations of the President. I shall undertake briefly to show that our action has been in harmony with both.

When Congress met in December the country was almost unanimous in the demand for more currency. The Wall street brokers had not then fully recovered from the effects of their reckless speculations.

The New York Herald in the editorial before quoted spoke the exact truth when it said—

From all sides, however, we hear the complaint that the paper circulation of the country is not equal to the business wants of the country.

If any voice was then raised in opposition to an increase of the paper circulation it was so feeble as not to be noticed by the conductors of a newspaper whose means of information are unequaled on this continent.

I think, sir, I am justified in saying that it is not the people nor the majority of their representatives who have changed upon this question, but the capitalists and their organs. And I think, notwithstanding all that may be represented to the contrary, that it is equally susceptible of proof that the action of the majority of Congress has been in accordance with the recommendations of the President.

In proof of this position I quote the following passages from the last annual message of the President transmitted to Congress at the commencement of the present session. After stating in the passage already quoted that we could never reach and maintain specie payments until the balance of trade was so largely in our favor as to pay without the products of our mines the interest due abroad on our national debt and other obligations, he further says:

To increase our exports sufficient currency is required to keep all the industries of the country employed. Without this, individual as well as national bankruptcy must ensue.

Again, the President further says:

During the last four years the currency has been contracted, directly, by the withdrawal of 3 per cent. certificates, compound-interest notes, and seven-thirty bonds outstanding on the 4th of March, 1869, all of which took the place of legal-tenders in the bank reserves to the extent of $63,000,000.

During the same period there has been a much larger comparative contraction of the currency. The population of the country has largely increased. More than twenty-five thousand miles of railroad have been built, requiring the active use of capital to operate them. Millions of acres of land have been opened to cultivation, requiring capital to move the products. Manufactories have multiplied beyond all precedent in the same period of time, requiring capital weekly for the payment of wages and for the purchase of material; and probably the largest of all comparative contraction arises from the organizing of free labor in the South. Now every laborer there receives his wages, and for want of savings-banks the greater part of such wages is carried in the pocket or hoarded until required for use. * * *

It is patent to the most casual observer that much more currency, or money, is required to transact the legitimate trade of the country during the fall and winter months, when the vast crops are being removed, than during the balance of the year. With our present system the amount in the country remains the same throughout the entire year, resulting in an accumulation of all the surplus capital of the country in a few centers when not employed in the moving of crops, tempted there by the offer of interest on call loans. * * *

In view of the great actual contraction that has taken place in the currency, and the comparative contraction continuously going on, due to the increase of population, increase of manufactories, and all the industries, I do not believe there is too much of it now for the dullest period of the year.

The President clearly saw the necessity of giving elasticity to the currency, as well as of providing for a considerable increase in the volume of paper circulation, and in his message of December last, from which I have before quoted, he makes the following recommendation to Congress:

I submit for your consideration whether this difficulty might not be overcome by authorizing the Secretary of the Treasury to issue at any time to national banks of issue any amount of their own notes below a fixed percentage of their issue, say 40 per cent., upon the banks depositing with the Treasurer of the United States an amount of Government bonds equal to the amount of notes demanded, the banks to forfeit to the Government say 4 per cent. of the interest accruing on the bonds so pledged during the time they remain with the Treasurer, as security for the increased circulation, the bonds so pledged to be redeemable by the banks at their pleasure, either in whole or in part, by returning their own bills for cancellation to an amount equal to the face of the bonds withdrawn.

As the present national-bank circulation is $354,000,000, and the recommendation of the President is for an increase of 40 per cent. upon the present circulation, it would involve a total increase of $141,600,000, an amount very greatly in excess of the increase provided for by the vetoed bill, but not in my judgment more than could be profitably employed by the legitimate business of the country.

These views of the President, so plainly and forcibly expressed only six months ago, met the unqualified approbation of the entire country; and I see no reason for believing that the people have changed their opinions since that time. On the other hand, I believe that their convictions have become more settled and fixed upon this subject.

I shall not upon this occasion enter into any defense of the legal-tenders—the money of the nation—the only money we have or are likely to have in circulation for some time to come. That money has been tried in war and in peace, and saved us in an emergency when a currency based upon gold utterly failed to meet our wants and necessities.

True, the distinguished gentleman from New York [Mr. TREMAIN] says it is based upon "moonshine," and the gentleman from New Jersey [Mr. PHELPS] calls it a "rag," while other friends of contraction echo and re-echo the words "irredeemable currency."

Sir, if I was disposed to enter into details, I might perhaps show those gentlemen that this money, based as it is upon the credit of the nation, which is received for taxes to the amount of several hundred millions annually, which pays all private debts, and is daily redeemed in exchange for every article whether of luxury or necessity to be found in the whole country, is neither a "rag" nor yet as unsubstantial as "moonshine."

President Grant has a higher opinion of this money. In his message, from which I have just quoted, he says:

> The experience of the present panic has proven that the currency of the country, based as it is upon the credit of the country, is the best that has even been devised. Usually in times of such trials currency has become worthless, or so much depreciated in value as to inflate the values of all the necessaries of life as compared with the currency. Every one holding it has been anxious to dispose of it on any terms. Now we witness the reverse. Holders of currency hoard it as they did gold in former experiences of a like nature.

But, Mr. Speaker, I have already extended these remarks far beyond the limits which I intended. The subject is so vast, the interests which it involves are so numerous and complicated, the proper solution of this question is so important to the welfare and prosperity of the people in every branch of their numerous and varied industries, that I have been unable to dismiss it as briefly as I proposed. Whatever may be the final solution of this question, there is one thing that may be considered as settled, and that is that the gross inequality and monopoly of the present distribution of national-bank circulation cannot be maintained.

The West has heretofore humbly petitioned for her rights. I warn gentlemen that when she speaks again it will be with a voice not only earnest and loud, but potent to command the changes which she demands.

If certain interests and certain sections want contraction they can have it, but it shall be applied to them and not to the West. And when those who have raised a hypocritical cry for contraction are compelled to give up the $80,000,000 of circulation which they hold in excess of the amount to which they are entitled, and when a large part of the reserves are removed from Wall street banks, they will enjoy in some degree the benefits of that contraction which they now so falsely and cunningly advocate.

7/8/21

END OF
TITLE